

Message Text

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11

ACTION NEA-10

INFO OCT-01 ISO-00 AID-05 CIAE-00 COME-00 EB-07 FRB-01

INR-05 NSAE-00 RSC-01 TRSE-00 XMB-02 OPIC-03 SP-02

CIEP-01 LAB-04 SIL-01 OMB-01 NSC-05 SS-15 STR-01

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R 100817Z DEC 74

FM AMEMBASSY AMMAN

TO SECSTATE WASHDC 3232

INFO AMEMBASSY TEL AVIV

AMCONSUL JERUSALEM

AMEMBASSY BEIRUT

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E.O. 11652: N/A

TAGS: ECON, JO

SUBJECT: POST RABAT ECONOMIC MOOD

1. IMMEDIATELY AFTER RABAT SUMMIT MANY OBSERVERS PREDICTED THAT UNCERTAINTY ABOUT THE FUTURE WOULD RESULT IN SHARP SLUMP IN JORDANIAN ECONOMY. THERE IS NO DATA ON RECENT ECONOMIC PERFORMANCE, BUT TALKS WITH LOCAL BANKERS AND BUSINESSMEN REVEAL THAT ECONOMIC ACTIVITY, WITH ONE IMPORTANT EXCEPTION, CONTINUES AT NORMAL PACE. MOST IMPORTERS AND WHOLESALERS OF NON-DURABLE AND DURABLE GOODS REPORT SALES HAVE NOT FALLEN. THERE HAS BEEN A DECLINE IN PRIVATE INVESTMENT IN REAL ESTATE, HOWEVER.

2. PUBLIC INVESTMENT PROJECTS COULD WELL COUNTER THE SLOW DOWN IN PRIVATE BUSINESS ACTIVITY. NEW PUBLIC INVESTMENT PROJECTS SCHEDULED TO BEGIN IN NEAR FUTURE INCLUDE EAST GHOR CANAL EXTENSION, WIDENING THE JORDAN VALLEY HIGHWAY AND CONSTRUCTION OF AZRAK-SAUDI ARABIA AND WADI ARABA HIGHWAYS. WORK IS STILL UNDERWAY ON THE OTHER LARGE PUBLIC PROJECTS, SUCH AS AQABA

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RAILROAD, KING TALA DAM, AND AMMAN-ZARQA HIGHWAY.

3. IMMEDIATELY FOLLOWING RABAT SUMMIT, THERE WAS SOME NERVOUSNESS
IN PALESTINIAN COMMUNITY BUT THIS HAS CONSIDERABLY DIMINISHED AS
EVIDENCE HAS MOUNTED OF MODERATION ON GOJ'S PART CONCERNING
JORDANIAN-PALESTINIAN NATIONALITY ISSUE. SIMILARLY, INITIAL
SUSPICIONS THAT THERE WOULD BE LARGE SCALE CAPITAL FLIGHT BY
PALESTINIAN BUSINESSMEN FROM JORDAN HAVE NOT BEEN CONFIRMED
BY FAIRLY WIDESPREAD EMBASSY INQUIRES AMONG KNOWLEDGEABLE
FINANCIAL ANALYSTS HERE. ACTUALLY LOCAL COMMERCIAL BANKERS SEEM
CONFIDENT THAT EVEN CREATION OF INDEPENDENT WEST BANK STATE WOULD NOT
RESULT IN FLIGHT OF CAPITAL FROM JORDAN. ON THE
CONTRARY, THEY BELIEVE WEST BANKERS, BECAUSE OF THEIR FEAR OF
RADICAL GOVERNMENT, WOULD TRANSFER CAPITAL TO JORDAN.
PICKERING

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